

State of Michigan – School Based Health Service Rate Setting

Non-ICR Administrative Expense Rate Methodology

Non Indirect Cost Rate (ICR) expense is an allowable Medicaid expense per OMB A-87 regulations. The State of Michigan Financial Information Database (FID) for School Districts will serve as the source data for the accumulation of Non ICR expense. Individual Local Education Authorities (LEAs) and Intermediate School Districts (ISDs) prepare the FID annually. The FID expenditure data is based on a July to June fiscal year basis and is due by November 15th of each year. MDE reviews FID data annually and CEPI releases FID data the following March/April. The FID data becomes available shortly before the SE-4096 data is available.

Step 1: Develop Total Non-ICR Administrative Expense Cost Pool

The FID Chart of Accounts includes fund codes and object codes for Function Code 241 (Office of the Principal). Office of the Principal includes expenses for activities performed by the principal, assistant principal and other assistants in the general supervision of all operations of the school building; evaluation of staff members of the school; supervision and maintenance of the school records are included under this function, along with clerical staff for these activities. These expenditures are not included in the unrestricted indirect cost rate formula. The following fund codes and function codes will be used to develop the cost pool:

- The Non ICR administrative expense cost pool will include the allowable fund codes 11 (General Fund) and 22 (Special Education Fund).
- Function codes 241 (Office of the Principal) is the only allowable Non ICR expense code.

A copy of the supporting FID data will be submitted along with the SE-4096 cost reports as part of the settlement and reconciliation process.

Step 2: Calculate Medicaid Allowable Non-ICR Administrative Expense for Cost Settlement/Reconciliation

Once the total Non-ICR administrative expense cost pool is developed (Step 1), ISDs will use a worksheet to calculate Medicaid allowable Non-ICR administrative expense (See the chart below). The expense will be adjusted for any Function Code 241 expense which was claimed through the Medicaid Administrative Outreach Program (AOP). The allowable Non-ICR administrative expense after adjustment is then multiplied by the ratio of SPED students to Total Students for that ISD. Finally, this result is multiplied by the IEP Medicaid Eligibility Rate (IEP MER) to determine Medicaid allowable Non-ICR Administrative Expense for settlement/reconciliation.

Methodology to Include Non Indirect Cost Rate Administrative Expense (by ISD)

Code	Description	Amount
	Non-ICR Administrative Costs	\$ 2,000,000
	Medicaid AOP Adjustment	\$ (500,000)
A	Allowable Non-ICR Administrative Costs	\$ 1,500,000
B	Ratio of SPED Students to Total Students	20.00%
C	IEP Medicaid Eligibility Rate	50.00%
D (A*B*C)	Medicaid Allowable Capital Expense	\$ 150,000